

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF LAKE LINDEN	County HOUGHTON
Fiscal Year End FEBRUARY 28 2006	Opinion Date JULY 18 2006	Date Audit Report Submitted to State AUGUST 31 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

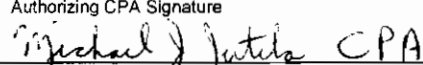
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES** ☒ **NO** ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s) address(es) and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) JUTILA JORGENSON & ASSOCIATES P C		Telephone Number 906-482-2358	
Street Address PO BOX 175		City HOUGHTON	State MI
Zip 49931			
Authorizing CPA Signature 	Printed Name MICHAEL J JUTILA	License Number 1101024074	

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**Jutila, Jorgenson and Associates, P.C.**  
P.O. Box 175  
Houghton, Michigan 49931  
July 18, 2006

Village Council  
Village of Lake Linden  
Lake Linden, Michigan 49945

### **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund and the aggregate remaining fund information of the VILLAGE OF LAKE LINDEN, MICHIGAN as of February 28, 2006 and for the year then ended, which collectively comprise the Village's basis financial statements as listed in the table of contents. These financial statements are the responsibility of the VILLAGE OF LAKE LINDEN'S management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the VILLAGE OF LAKE LINDEN, MICHIGAN at February 28, 2006 and the results of its operations and respective changes in financial position and the cash flows, where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of February 28, 2005.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required

supplementary information. However, we did audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated July 18, 2006, on our consideration of the VILLAGE OF LAKE LINDEN, MICHIGAN'S internal control structure and its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the table of contents is presented for purposes of additional analyses and is not a required part of the financial statements of the VILLAGE OF LAKE LINDEN, MICHIGAN. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Michael J. Jutla, CPA*

Michael J. Jutla  
Certified Public Accountant  
Jutla, Jorgenson & Associates, P.C.

**Jutila, Jorgenson and Associates, P.C.**

P.O. Box 175  
Houghton, Michigan 49931  
July 18, 2006

Village Council  
Village of Lake Linden  
Lake Linden, Michigan 49945

**Independent Auditor's Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards**

We have audited the financial statements of the VILLAGE OF LAKE LINDEN, MICHIGAN as of and for the year ended February 28, 2006 and have issued our report thereon dated July 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the VILLAGE OF LAKE LINDEN, MICHIGAN'S financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain instances of noncompliance that we have reported in the notes to the financial statements and to the management of the VILLAGE OF LAKE LINDEN, MICHIGAN in a separate letter dated July 18, 2006.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the VILLAGE OF LAKE LINDEN, MICHIGAN'S internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider being material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the VILLAGE OF LAKE LINDEN, MICHIGAN in a separate letter dated July 18, 2006. This report is intended for the information of the Village Council, management, and state awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Michael J. Jutila, CPA*

Michael J. Jutila  
Certified Public Accountant  
Jutila, Jorgenson & Associates, P.C.

## VILLAGE OF LAKE LINDEN, MICHIGAN

### Management's Discussion and Analysis FY 2005-2006

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The management, Council and Finance Committee members of the Village of Lake Linden present this overview and analysis of the finances of the Village of Lake Linden for the fiscal year ended February 28, 2006. It is presented for the broad purpose of providing additional information and insight into the financial statements and activities of the Village of Lake Linden and should be read in conjunction with the financial statements and the notes to the financial statements.

#### **Financial Highlights**

- **Americana Foundation Grant:** The Village was successful in securing a \$44,000 grant restoring and renovating the exterior of the Village Hall, a 105 year old building on the National Historic Register. Although there were no matching funds required, cost estimate overruns of approximately \$4,500 were paid from the general fund.
- **Village Streetscape Project:** The Village has secured a MDOT grant for \$200,000 and a CDBG grant for \$361,000 for improvements and historic restoration of the downtown streetscape. In preparation, the Village has incurred \$55,000 in engineering fees prior to project letting and prior to the end of the 2005-06 fiscal year.
- **Rising costs of supplies and services:** The Village saw an approximately \$10,000 increase in operating supplies largely due to increased fuel, diesel and oil prices. Heating costs increased approximately 30% (\$3,000).
- **Employee payouts:** Payouts to employees under the terms of their collective bargaining agreement for back sick/vacation wages increased payroll in the general fund by approximately \$14,000.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village of Lake Linden financial statements. The Village of Lake Linden basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Lake Linden finances, in a manner similar to a private-sector to a private-sector business.

The *statement of net assets* presents information on all of the Village of Lake Linden assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Lake Linden that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Lake Linden include public safety, public works, recreation and culture and general administrative services. The business-type activities of the Village of Lake Linden include water and sanitation services.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lake Linden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Village of Lake Linden can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Lake Linden maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in the fund balances for the General Fund, Major Street, Local Street, Rehabilitation Investment, and Special Sewer Assessment, which are considered to be major funds.



### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lake Linden Village, assets exceeded liabilities by \$1,327,625 at the close of the most recent fiscal year. By far the most significant portion of the Village's net assets (88 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Village used these capital assets to provide services to citizens; consequently, these assets are *not* available for the future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 202,948	\$ 59,772	\$ 262,720
Capital Assets	887,513	1,495,447	2,382,960
Total Assets	1,090,461	1,555,219	2,645,680
Long-term Liabilities	114,339	1,085,000	1,199,339
Other Liabilities	104,829	13,887	118,716
Total Liabilities	219,168	1,098,887	1,318,055
Net Assets:			
Invested in Capital Assets			
net of related debt	773,174	398,654	1,171,828
Restricted	35,017	20,344	55,361
Unrestricted	63,102	37,334	100,436
Total Net Assets	871,293	456,332	1,327,625

An additional portion of the Village's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$100,436) may be used to meet the Village's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, for the government as a whole. The same situation held true for the prior fiscal year.

## **Financial Analysis of the Village's Funds**

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$77,274, a decrease of \$54,115 in comparison with the prior year. Approximately 55% of this total amount, \$42,257, constitutes *unreserved fund balance*, which is available for spending at the Village's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, the total fund balance was \$(1697).

The fund balance of the Village's general fund decreased by \$40,057 during the current fiscal year.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Sanitation, and Equipment funds at the end of the year amounted to \$44,885.

## **General Fund budgetary Highlights**

Differences between the original budget and the final amended budget was a \$26,050 *increase in appropriations*.

## **Capital Asset and Debt Administration**

**Capital assets.** The Village's investments in the capital assets for its governmental and business type activities as of February 28, 2005, amount to \$2,351,910 (*net of accumulated depreciation*). This investment in capital assets includes: land, buildings and system improvements, machinery and equipment, park facilities, etc. The total increase in the Village's investment in capital assets for the current fiscal year was 25 percent (a 26 percent increase for governmental activities and a 1 percent decrease for business-type activities).

Details of the Village's capital assets are in the notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the Village had total bonded and installment debt outstanding of \$1,230,096. Of this amount, \$1,230,096 comprises debt backed by the full faith and credit of the government and \$0 represents bonds secured solely by specified revenue sources.

Additional information on the Village's long-term debt can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in the state-shared revenues. State shared revenues are expected to remain flat at best with possible further reductions. The Village's millage rate was reduced again by the Headlee Amendment rollback to 10.2438 mills for general operating purposes. These factors were considered in preparing the Village's budget for the 2006-07 fiscal year.

In fiscal 2006-07, the Village expects to get \$125,000 in bonds issued for the Streetscape project. This money is to be used to pay the engineering fees of \$55,000 incurred in fiscal 2005-06 and to fund the Village portion of the project. The Treasury review of our application for these bonds has already been completed and approved.

The Village Council has already begun addressing the expected budget shortfall and has taken steps to bring revenues more in-line with expenditures to eliminate the approximate \$100,000 budget deficit.

**Requests for Information**

This financial report is designed to provide a general overview of the Village of Lake Linden's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk Office:

Robert A. Poirier, Village Clerk  
Village of Lake Linden  
401 Calumet Street  
Lake Linden, MI 49945  
(906) 296-9911  
vll@lakelinden.net

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**Statement of Net Assets**  
**AS OF FEBRUARY 28, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 59,300	\$ 11,991	\$ 71,291	\$ 17,028
Receivables	89,744	30,982	120,726	11,088
Internal balances	16,387	(16,387)	-	-
Inventories	35,017	12,842	47,859	-
Due from primary government	-	-	-	27,770
Prepaid expense	2,500	-	2,500	-
Restricted cash	-	20,344	20,344	-
Capital assets:				
Land	72,403	11,793	84,196	-
Other capital assets, net of depreciation	815,110	1,483,654	2,298,764	-
Total capital assets	<u>\$ 887,513</u>	<u>\$1,495,447</u>	<u>\$2,382,960</u>	<u>\$ -</u>
Total assets	<u>\$ 1,090,461</u>	<u>\$1,555,219</u>	<u>\$2,645,680</u>	<u>\$ 55,886</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 77,059	\$ 13,887	\$ 90,946	-
Due to component unit	27,770	-	27,770	-
Long-term liabilities:				
Due within one year	4,000	30,000	34,000	-
Due in more than one year	110,339	1,055,000	1,165,339	-
Total Liabilities	<u>\$ 219,168</u>	<u>\$1,098,887</u>	<u>\$1,318,055</u>	<u>\$ -</u>
<b>NET ASSETS</b>				
Invested in capital assest, net of related debt	\$ 773,174	\$ 398,654	\$1,171,828	\$ -
Restricted for:				
Debt service	-	20,344	20,344	-
Inventories	35,017	-	35,017	-
Unrestricted	63,102	37,334	100,436	55,886
Total net assets	<u>\$ 871,293</u>	<u>\$ 456,332</u>	<u>\$1,327,625</u>	<u>\$ 55,886</u>

\*\*The accompanying notes to financial statements are an integral part of this statement

**Village of Lake Linden, Michigan**  
**Statement of Activities**  
**Year Ended February 28, 2006**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	PRIMARY GOVERNMENT:					Primary Government			
	Charges for		Operating		Capital	Governmental Activities	Business-type Activities	Total	Component Unit
	Expenses	Services	Contributions	Contributions	Contributions				
General government	\$ 97,125	\$ -	\$ -	\$ -	\$ -	\$ (53,125)	\$ -	\$ (53,125)	
Public safety	88,791	9,343	250		44,000	(79,198)		(79,198)	
Public works	216,131	12,962	149,841		-	(53,328)		(53,328)	
Culture and recreation	44,619	10,428	-	-	-	(34,191)		(34,191)	
Other	145,883	-	-	-	-	(145,833)		(145,833)	
Interest on long-term debt	3,050	-	-	-	-	(3,050)		(3,050)	
Total governmental activities	\$595,549	\$ 32,733	\$ 150,091	\$ -	\$ 44,000	\$ (368,725)		\$ (368,725)	
Business-type activities:									
Water	\$145,716	\$ 136,883	\$ -	\$ -	\$ -	\$ -	\$ (8,833)	\$ (8,833)	
Sanitation	52,752	51,166	-	-	-	-	(1,586)	(1,586)	
Total business-type activities	\$198,468	\$ 188,049	\$ -	\$ -	\$ -	\$ -	\$ (10,419)	\$ (10,419)	
Total primary government	\$794,017	\$ 220,782	\$ 150,091	\$ -	\$ 44,000	\$ (368,725)		\$ (379,144)	
<b>COMPONENT UNITS:</b>									
Downtown Development Authority	\$ 8,623	\$ -	\$ -	\$ -	\$ -				\$ 8,623
General revenues:									
Taxes:									
Property taxes, levied for general purposes		\$ 150,311	\$ -	\$ -	\$ -	\$ 150,311	\$ -	\$ -	\$ -
Captured Taxes		-	-	-	-	-	-	139,221	25,012
Grants and contributions not restricted to specific programs		139,221	-	-	-	139,221	-	-	-
Unrestricted investment earnings		1,456	-	-	-	1,456	108	1,564	-
Miscellaneous		6,654	-	-	-	6,654	-	6,654	535
Transfers		-	-	-	-	-	-	-	-
Total general revenues, special items, and transfers		\$ 297,642	\$ -	\$ -	\$ -	\$ 297,642	\$ 108	\$ 297,642	\$ 25,547
Change in net assets		\$ (71,083)	\$ -	\$ -	\$ -	\$ (71,083)	\$ (10,311)	\$ (81,394)	\$ 16,924
Net assets-beginning		942,376	-	-	-	942,376	466,643	1,409,019	38,962
Net assets-ending		\$ 871,293	\$ -	\$ -	\$ -	\$ 871,293	\$ 456,332	\$ 1,327,625	\$ 55,886

\*\*The accompanying notes are an integral part of these financial statements.

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**Government Funds and Discretely Presented Component Unit**  
**Balance Sheet**  
**AS OF FEBRUARY 28, 2006**

	General Fund	Major Street	Local Street	Rehabilitation Investment	Special Assessment	Total	Component Unit
<b>ASSETS</b>							
Cash	\$ 4,012	\$ 47,949	\$ 1,624	\$ 2,146	\$ -	\$ 55,731	\$ 17,028
Receivables (net of allowance for doubtful accounts):							
Taxes	15,901	-	4,944	-	-	20,845	11,088
Accounts	3,500	-	-	-	-	3,500	-
Due from other governmental units	35,339	14,447	4,992	-	-	54,778	-
Loans	-	-	-	-	-	-	-
Special assessments	-	-	-	-	9,868	9,868	-
Due from other funds	37,326	29,213	16,621	-	-	83,160	-
Due from primary government	-	-	-	-	-	-	27,770
Due from component unit	-	-	-	-	-	-	-
Inventories	35,017	-	-	-	-	35,017	-
<b>TOTAL ASSETS</b>	<b>\$ 131,095</b>	<b>\$ 91,609</b>	<b>\$ 28,181</b>	<b>\$ 2,146</b>	<b>\$ 9,868</b>	<b>\$ 262,899</b>	<b>\$ 55,886</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 54,456	\$ 70	\$ -	\$ -	\$ -	\$ 54,526	\$ -
Salaries payable	4,864	1,456	1,087	-	-	7,407	-
Due to other governmental units	-	-	-	-	9,868	9,868	-
Due to other funds	29,801	16,621	16,641	2,146	-	65,209	-
Due to component unit	27,770	-	-	-	-	27,770	-
Deferred revenue	15,901	-	4,944	-	-	20,845	-
<b>TOTAL LIABILITIES</b>	<b>\$ 132,792</b>	<b>\$ 18,147</b>	<b>\$ 22,672</b>	<b>\$ 2,146</b>	<b>\$ 9,868</b>	<b>\$ 185,625</b>	<b>\$ -</b>
<b>FUND EQUITY</b>							
Fund balance:							
Reserved	\$ 35,017	\$ -	\$ -	\$ -	\$ -	\$ 35,017	\$ -
Unreserved	(36,714)	73,462	5,509	-	-	42,257	55,886
<b>TOTAL FUND EQUITY</b>	<b>\$ (1,697)</b>	<b>\$ 73,462</b>	<b>\$ 5,509</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 77,274</b>	<b>\$ 55,886</b>
	<b>\$ 131,095</b>	<b>\$ 91,609</b>	<b>\$ 28,181</b>	<b>\$ 2,146</b>	<b>\$ 9,868</b>	<b>\$ 262,899</b>	<b>\$ 55,886</b>

*\*\*The accompanying notes to financial statements are an integral part of this statement*

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**Governmental Funds and Component Unit**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**YEAR ENDED FEBRUARY 28, 2006**

	Governmental Fund Types					
	General Fund	Major Street	Local Street	Rehabilitation Investment	Special Assessment Fund	Primary Government
<b>Revenues:</b>						Component Unit
Taxes	\$ 101,221	\$ -	\$ 49,397	\$ -	\$ -	\$ 150,618
State grants	139,471	75,010	43,009	-	-	257,490
Interest and rents	-	1,172	230	14	880	2,296
Charges for services	32,733	-	-	-	-	32,733
Other revenue	131,718	-	-	-	-	131,718
<b>TOTAL REVENUE</b>	<b>\$ 405,143</b>	<b>\$ 76,182</b>	<b>\$ 92,636</b>	<b>\$ 14</b>	<b>\$ 880</b>	<b>\$ 574,855</b>
<b>Expenditures:</b>						
Legislative	\$ 8,372	\$ -	\$ -	\$ -	\$ -	\$ 8,372
General government	122,239	3,328	1,325	-	-	126,892
Public Safety	89,822	-	-	-	-	89,822
Public works	27,796	70,923	105,462	-	-	204,181
Recreation and culture	90,923	-	-	-	-	90,923
Other expenditures	224,182	-	-	823	880	225,885
<b>TOTAL EXPENDITURES</b>	<b>\$ 563,334</b>	<b>\$ 74,251</b>	<b>\$ 106,787</b>	<b>\$ 823</b>	<b>\$ 880</b>	<b>\$ 746,075</b>
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	<b>\$ (158,191)</b>	<b>\$ 1,931</b>	<b>\$ (14,151)</b>	<b>\$ (809)</b>	<b>\$ -</b>	<b>\$ (171,220)</b>
State trunkline maintenance -						
Excess of revenues (expenditures)	\$ -	\$ 1,117	\$ -	\$ -	\$ -	\$ 1,117
Other financing sources (uses) :						
Operating transfers from other funds	\$ 118,134	\$ -	\$ 18,753	\$ -	\$ -	\$ 136,887
Operating transfers from component unit	-	-	-	-	-	-
Operating transfers to other funds	-	(18,753)	-	(2,146)	-	(20,899)
Operating transfers to primary government	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 118,134</b>	<b>\$ (18,753)</b>	<b>\$ 18,753</b>	<b>\$ (2,146)</b>	<b>\$ -</b>	<b>\$ 115,988</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (40,057)</b>	<b>\$ (15,705)</b>	<b>\$ 4,602</b>	<b>\$ (2,955)</b>	<b>\$ -</b>	<b>\$ (54,115)</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>38,360</b>	<b>89,167</b>	<b>907</b>	<b>2,955</b>	<b>-</b>	<b>131,389</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (1,697)</b>	<b>\$ 73,462</b>	<b>\$ 5,509</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 77,274</b>
						<b>\$ 55,886</b>

\*\*The accompanying notes to financial statements are an integral part of this statement

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**February 28, 2006**

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Fund-balances - total governmental funds	\$ 77,274
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Amounts reported for *governmental activities* in the statement of net assets are different because:

An internal service fund is used by the Village to charge the costs of equipment usage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets in the internal service fund	214,521
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets, net	602,992
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Certain taxes are not recognized as revenue in the governmental funds because they are not available to pay correct year expenditures

Add - deferred revenue	20,845
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Certain Liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - long-term portion of compensated absences payable	<u>(44,339)</u>
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Net Assets of governmental activities	<u><u>\$ 871,293</u></u>
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*\*\*The accompanying notes are an integral part of these financial statements.*



**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Funds**  
**To the Statement of Activities**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

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Net change in fund balances - total governmental funds \$ (54,115)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital assets 120,801

Deduct - depreciation expense (17,982)

An internal service fund is used by the Village to charge the costs of equipment usage to individual funds. The net revenue (expense) of the fund is reported with governmental activities.

Add - net operating income in internal service fund 2,018

Add - investment income from governmental internal service funds 283

Deduct - interest expense (3,050)

Add - net transfers (115,988)

Certain taxes are not recognized as revenue in the governmental funds because they are not available to pay current year expenditures.

Deduct - decrease in deferred revenue (307)

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Add - decrease in accrual for compensated absences (2,743)

Change in net assets of governmental activities \$ (71,083)

*\*\*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF LAKE LINDEN, MICHIGAN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF FEBRUARY 28, 2006**

	Enterprise Funds			Internal Service Fund
	Water Supply	Sanitation	Total	Equipment
<b>Assets</b>				
Current Assets:				
Cash	\$ 9,268	\$ 2,723	\$ 11,991	\$ 3,569
Accounts receivable	28,067	2,915	30,982	753
Inventories	7,682	5,160	12,842	-
Prepaid expense	-	-	-	2,500
Due from other funds	588	163	751	13,109
Total Current Assets	<u>\$ 45,605</u>	<u>\$ 10,961</u>	<u>\$ 56,566</u>	<u>\$ 19,931</u>
Noncurrent Assets:				
Capital assets, net	<u>\$ 1,495,447</u>	<u>\$ -</u>	<u>\$ 1,495,447</u>	<u>\$ 284,521</u>
Other Assets:				
Restricted cash	<u>\$ 20,344</u>	<u>\$ -</u>	<u>\$ 20,344</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 1,561,396</u></u>	<u><u>\$ 10,961</u></u>	<u><u>\$ 1,572,357</u></u>	<u><u>\$ 304,452</u></u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	\$ 324	\$ 1,480	\$ 1,804	\$ 4,293
Salaries payable	504	277	781	221
Interest payable	11,302	-	11,302	744
Due to other funds	7,934	9,204	17,138	14,673
Current maturities on notes payable	30,000	-	30,000	4,000
Total Current Liabilities	<u>\$ 50,064</u>	<u>\$ 10,961</u>	<u>\$ 61,025</u>	<u>\$ 23,931</u>
Long-Term Debt				
Bonds/Notes payable				
Net of current maturities	<u>\$ 1,055,000</u>	<u>\$ -</u>	<u>\$ 1,055,000</u>	<u>\$ 66,000</u>
Total Liabilities	<u>\$ 1,105,064</u>	<u>\$ 10,961</u>	<u>\$ 1,116,025</u>	<u>\$ 89,931</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 410,447	\$ -	\$ 410,447	\$ 241,521
Unrestricted	45,885	-	45,885	-
Total Net Assets	<u><u>\$ 456,332</u></u>	<u><u>-</u></u>	<u><u>\$ 456,332</u></u>	<u><u>\$ 214,521</u></u>

\*\*The accompanying notes are an integral part of these financial statements.

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED FEBRUARY 28, 2006**

	Enterprise Funds			Internal Service Fund
	Water Supply	Sanitation	Total	Equipment
Operating Revenue				
Charges for services	\$ 132,910	\$ 50,906	\$ 183,816	\$ 122,503
Other	3,973	260	4,233	608
Total Operating Revenue	<u>\$ 136,883</u>	<u>\$ 51,166</u>	<u>\$ 188,049</u>	<u>\$ 123,111</u>
Operating Expense				
Wages	\$ 25,269	\$ 10,847	\$ 36,116	\$ 17,128
Fringe benefits	20,935	8,936	29,871	14,131
Equipment rentals	8,770	2,407	11,177	-
Supplies	7,723	4,801	12,524	22,416
Office	1,828	240	2,068	-
Tipping fees	-	24,402	24,402	-
Repairs and Maintenance	-	-	-	27,174
Depreciation	38,496	-	38,496	33,181
Insurance	-	-	-	5,115
Professional services	1,932	1,119	3,051	1,700
Utilities	11,199	-	11,199	-
Other	2,001	-	2,001	248
Total Operating Expense	<u>\$ 118,153</u>	<u>\$ 52,752</u>	<u>\$ 170,905</u>	<u>\$ 121,093</u>
Net Income From Operations	<u>\$ 18,730</u>	<u>\$ (1,586)</u>	<u>\$ 17,144</u>	<u>\$ 2,018</u>
Non-operating Revenues:				
Interest	108	-	108	283
Non-operating Expense:				
Interest	(27,563)	-	(27,563)	(3,050)
Transfers in / (out)	-	-	-	(115,988)
Net Income	<u>\$ (8,725)</u>	<u>\$ (1,586)</u>	<u>\$ (10,311)</u>	<u>\$ (116,737)</u>
Net assets-beginning	465,057	1,586	466,643	331,258
Net assets-ending	<u>\$ 456,332</u>	<u>\$ -</u>	<u>\$ 456,332</u>	<u>\$ 214,521</u>

\*\*The accompanying notes to financial statements are an integral part of this statement

**VILLAGE OF LAKE LINDEN, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

	Enterprise Funds			Internal Service Fund
	Water Supply System	Sanitation	Total	Equipment
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$134,232	\$52,666	\$186,898	\$ 608
Cash received from interfund services	-	-	-	164,649
Cash payments to employees	(25,054)	(10,708)	(35,762)	(17,072)
Cash payments to suppliers for goods and services	(25,144)	(32,748)	(57,892)	(55,877)
Cash payments for interfund services	(29,413)	(6,731)	(36,144)	(2,692)
<b>NET CASH PROVIDED BY OPERATING EXPENSES</b>	<b>\$54,621</b>	<b>\$2,479</b>	<b>\$57,100</b>	<b>\$ 89,616</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	(115,988)
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(115,988)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from long-term debt	\$ -	\$ -	\$ -	\$ -
Acquisition of capital assets	-	-	-	-
Principal paid on long-term debt	(30,000)	-	(30,000)	(3,500)
Interest paid on long-term debt	(27,563)	-	(27,563)	(3,050)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (57,563)</b>	<b>\$ -</b>	<b>\$ (57,563)</b>	<b>\$ (6,550)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	\$ 108	\$ -	\$ 108	\$ 283
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (2,834)</b>	<b>\$ 2,479</b>	<b>\$ (355)</b>	<b>\$ (32,639)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>12,102</b>	<b>244</b>	<b>12,346</b>	<b>36,208</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 9,268</b>	<b>\$ 2,723</b>	<b>\$ 11,991</b>	<b>\$ 3,569</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 18,730	\$ (1,586)	\$ 17,144	\$ 2,018
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	38,496	-	38,496	33,181
Change in assets and liabilities:				
Accounts Receivable	(2,651)	1,500	(1,151)	(753)
Inventory	616	(2,241)	(1,625)	-
Due from other funds	2,955	1,634	4,589	42,146
Prepaid expense	-	-	-	115
Restricted cash	(2,485)	-	(2,485)	1
Accounts and interest payable	(1,077)	55	(1,022)	1,414
Accrued Salaries	215	139	354	56
Due to other funds	(178)	2,978	2,800	11,439
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 54,621</b>	<b>\$ 2,479</b>	<b>\$ 57,100</b>	<b>\$ 89,616</b>

\*\*The accompanying notes are an integral part of these financial statements.

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**Notes to Financial Statements**  
**YEAR ENDED FEBRUARY 28, 2006**

**NOTE A – DESCRIPTION OF VILLAGE OPERATIONS**

The Village was organized in 1885 and covers an area of approximately 440 acres. The 2000 census indicated a population of 1,081. The Village operates under an elected Council of seven members.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

The Village complies with Generally Accepted Accounting Principles (GAAP). The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" these financial statements present the Village of Lake Linden, Michigan and its component unit. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on these criteria the Torch Lake Sewage Authority and the Lake Linden Housing Commission are not component units. These entities are audited separately and copies of their audit reports can be obtained from the entities directly.

**DIRECTLY PRESENTED COMPONENT UNITS**

The Downtown Development Authority is considered to be a component unit of the Village and its financial statements are presented discretely with the Village's.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from the business-type activities which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods,

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**NOTE B – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The various funds are grouped in the financial statements into five generic fund types and two broad fund categories as follows:

**Governmental Funds**

**General Fund**

The General Fund is the general operating fund of the village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Special Assessment Funds

Special Assessment Funds are used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

## Proprietary Funds

### Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost reimbursement basis. In the Government-wide financial statements, the Internal Service Fund (Equipment) is combined with the governmental activities.

### CASH

Deposits are carried at a cost. Deposits are in two financial institutions in the name of the Village of Lake Linden, Michigan.

### SURPLUS FUNDS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy as required by Act 196 PA 1997 has been adopted by the board. The Village's deposits and investments are in accordance with statutory authority. All of the Village's surplus funds are in bank savings accounts and certificates of deposit.

The Governmental Accounting Standards Board (GASB) Statement No. 3 and GASB Statement No. 40 risk disclosures for deposits at year-end are as follows:

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Carrying Amounts			
	Primary	Component	
	Government	Unit	Total
\$	<u>\$ 91,585</u>	<u>\$ 17,028</u>	<u>\$ 108,613</u>
Bank Balances			
\$	<u>\$ 101,175</u>	<u>\$ 17,028</u>	<u>\$ 118,203</u>

All deposits are either insured or collateralized.

### **INVENTORY**

Inventory is recognized at the lower of cost (first-in; first-out) or market.

**Capital Assets** - Capital assets, which include property, equipment, and infrastructure assets (roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Before March 1, 2004, infrastructure assets were not capitalized. Infrastructure assets acquired since March 1, 2004 are recorded at cost.

Property and equipment is being depreciated using the straight-line method over the following estimated useful lives:

Buildings and Marina	30 to 40 years
Land Improvements	50 years
Water Lines	40 to 50 years
Infrastructure	20 years
Vehicles	5 to 20 years
Office Equipment	5 to 7 years



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Capital asset activity for the year ended February 28, 2006, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 72,403	\$ -	\$ -	\$ 72,403
Other capital assets:				
Land Improvements	\$ 174,038	\$ -	\$ -	\$ 174,038
Buildings and Improvements	140,502	44,000	-	184,502
Marina Docks	209,306	-	-	209,306
Road Networks	14,430	74,191	-	88,621
Equipment and Vehicles	871,364	2,610	(23,000)	850,974
Total capital assets being depreciated	\$ 1,409,640	\$ 120,081	\$ (23,000)	\$1,507,441
Less accumulated depreciation:				
Land Improvement	\$ (37,021)	\$ (3,497)	\$ -	\$ (40,518)
Building and Improvement	(77,143)	(4,595)	-	(81,738)
Marina Docks	(55,021)	(5,233)	-	(60,254)
Road Network	(722)	(1,673)	-	(2,395)
Equipment and Vehicles	(494,261)	(36,165)	23,000	(507,165)
Total accumulated depreciation	\$ (664,168)	\$ (51,163)	23,000	\$ (692,331)
Governmental activities, capital assets, net	\$ 817,875	\$ (69,638)	\$ -	\$ 887,513
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 11,793	\$ -	\$ -	\$ 11,793
Other capital assets				
Water systems, equipment, and well development costs	\$ 1,978,818	\$ -	\$ -	\$1,978,818
Total capital assets being depreciated	\$ 1,978,818	\$ -	\$ -	\$1,978,818
Less accumulated depreciation for:				
Water systems, equipment, and well development costs	\$ (456,668)	\$ (38,496)	\$ -	\$ (495,164)
Total accumulated depreciation	\$ (456,668)	\$ (38,496)	\$ -	\$ (495,164)
Other capital assets, net	\$ 1,522,150	\$ (38,496)	\$ -	\$1,483,654
Business-type activities, capital assets, net	\$ 1,533,943	\$ (38,496)	\$ -	\$1,495,447

Depreciation expense was charged to programs as follows:

### Governmental Activities

General Government	\$ 5,861
Public Safety	1,579
Recreation	8,869
Public Works	31,796
Other	-
Total Governmental Activities	<u>\$ 48,105</u>

### Business-type Activities

Water	\$ 2,400
Sanitation	658
Total Business-type activities	<u>\$ 3,058</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **ACCRUED EMPLOYEE PAID TIME OFF**

The amount shown in this account reflects amounts owed to employees for accumulated paid time off at the current rates of pay for such employees at February 28, 2006.

The Village's policy allows employees to accumulate paid time off up to 240 hours. Each year end, unused paid time off will be paid to employees.

### **INTERFUND LOANS**

Interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

### **PENSION PLAN**

The Village has a pension plan covering substantially all of its non-elected full time employees. Contributions made to the pension plan, which is administered by the State of Michigan, are charged to expense annually. Employees are covered as of their first day of employment, and are fully vested after ten years of continuous service. The Village has no fiduciary responsibility and no further liability for this plan other than such contributions. The Village's contribution to this plan for the year ended February 28, 2006 was \$34,517. The Village offers no post-employment benefits other than pension benefits (OPEB).

Additional information about this plan is available from the Michigan Municipal Employees Retirement System (MERS) at 447 North Canal Street, Lansing MI, 48917-9755.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **USE OF ESTIMATES IN FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE C - SEWAGE DISPOSAL SYSTEM**

The Village of Lake Linden, together with the Township of Osceola, Township of Schoolcraft, and Township of Torch Lake, entered into a contract with the County of Houghton's Department of public works to obtain the use of a sewage disposal system estimated to cost \$6,999,640. The local share of these costs is estimated at \$1,765,000.

Bonds issued by the County in the aggregate principal amount of \$1,765,000 finance the local share of the project cost. The bonds mature on May 1, 1987 through 2007, inclusive, in amounts ranging from \$45,000 to \$90,000 per year plus interest at the rate of 5%.

Special sewer assessments totaling \$443,709 have been made, of which \$433,841 plus \$295,665 interest has been collected to date and paid to the County. It is expected that revenues generated by the sewage disposal system will provide the remainder of the Village's obligation to the County.

### **NOTE D - LAND HELD FOR FUTURE DEVELOPMENT**

On February 5, 1986, the Village purchased a forty-acre parcel of land from Clifford and Edna Sibilsky for future development. The land is carried on the balance sheet of the General Fund as inventory. A portion of this land has been divided into lots and sold.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All land in the General Fund, because of its nature, was not available to finance expenditures of the current period, as of the balance sheet date and so a reserve of fund equity was established.

### **NOTE E - LONG-TERM DEBT**

The Village has authorized the issuance of \$1,200,000 general obligation tax bonds, series 2001, dated as of June 28, 2001. The bonds have been delivered on the date above to provide funds to pay the cost of construction and installation of improvements to the water supply system.

The Village received from the Michigan Municipal Bond Authority as purchaser of the bond, the sum of \$1,200,000.

Repayment of the bond is expected to be made from the proceeds from the sale of water. Repayment will begin April 1, 2002 and continue semi-annually until October 1, 2031. The interest rate on the bonds is 2.5%.

In November of 2004, the Village borrowed \$73,500 to help purchase a fire truck.

Repayment of the loan is expected to be made by rent paid by the General Fund for use of the truck. Repayment will begin June 1, 2005 and continue semi-annually until December 1, 2019. The interest rate on the loan is 4.25%.

The individual long-term debt and other general long-term obligations of the Village of Lake Linden and the changes therein, may be summarized as follows:

	Balance February 28, 2005	Additions	Reductions	Balance February 28, 2006
<b><u>INTERNAL SERVICE FUND</u></b>				
<b><u>INSTALLMENT LOAN</u></b>				
Equipment	\$ 73,500	\$ -	\$ 3,500	\$ 70,000
<b><u>WATER SYSTEM SUPPLY FUND BONDS</u></b>				
Water system improvements	\$ 1,115,000	\$ -	\$ 30,000	\$ 1,085,000
<b><u>GENERAL LONG-TERM DEBT</u></b>				
Accrued compensated absences payable	\$ 41,596	\$ 28,038	\$ 25,295	\$ 44,339
TOTAL	<u>\$ 1,230,096</u>	<u>\$ 28,038</u>	<u>\$ 58,795</u>	<u>\$ 1,199,339</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Maturities on long-term debt are as follows:

Year ending February 28, 2007	\$ 34,000
Year ending February 28, 2008	34,000
Year ended February 28, 2009	34,000
Year ended February 28, 2010	34,000
Year ended February 28, 2011	40,000
Thereafter	979,000
<b>TOTAL</b>	<b><u>\$ 1,155,000</u></b>

### **NOTE F - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the General Purpose Financial Statements – Overview, of certain information concerning individual funds including:

#### **Water Supply System Fund**

To account for the provision of water services to the Village. Activities of the fund include administration, operation, and maintenance of the water system and billing and collection activities. All costs are financed through charges made to water customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

#### **Sanitation Fund**

To account for operation of the Village's garbage collection, transportation, and fees to the county landfill.

Selected financial information for business segments of enterprise funds for the year ended February 28, 2006 is presented as follows:

	Fund		
	Water Supply System	Sanitation	Total
Operating Revenues	\$ 136,883	\$ 51,166	\$ 188,049
Operating Expenses	118,153	52,752	170,905
Depreciation	38,496	-	38,496
Operating Income (Loss)	18,730	(1,586)	17,144
Net Income (Loss)	(8,725)	(1,586)	(10,311)
Fixed Asset Additions	-	-	-
Net Working Capital	(4,459)	-	(4,459)
Total Assets	1,561,396	10,961	1,572,357
Total Equity	456,332	-	456,332

#### **Fiscal year and Budget definition**

The Village charter establishes the fiscal year as the twelve-month period beginning March 1. The counsel's finance committee prepares a draft of the budget, which is then finalized by the full council. After a public hearing is held, the council adopts the budget legally.

Budgeted amounts are as originally adopted or as amended by the Village Council. The budget is on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

In the body of the financial statements, the Village's original and final budgeted and actual expenditures have been shown on a functional basis. The approved budgets of the Village for the budgetary funds were adapted to the functional level.

### Excess Village expenditures

During the year ended February 28, 2006, the village incurred expenditures that were in excess of the amounts appropriated as follows:

Fund	Total Appropriations	Amount of Expenditures and Operating Transfers Out	Over Budget
Major Street	\$ 87,500	\$ 123,709	\$ 36,209
Local Street	92,700	106,787	14,087
General	436,000	563,334	127,334

These conditions were in violation of Public Act 2 of 1968, as amended.

### Deficit fund balances

Deficit fund balances or retained earnings balances of individual funds. The General Fund had a deficit unreserved fund balance of \$36,714 as of February 28, 2006. To be in compliance with Public Act 275 of 1980, as amended, the Village must formulate and file a deficit elimination plan.

### Interfund Receivables

The amount of Interfund receivables and payables at February 28, 2006 are as follows:

Fund	Interfund Recievable	Fund	Interfund Payable
General	\$ 37,326	Sanitation	\$ 8,431
		Local Street	12,076
		Equipment	14,673
		Rehabilitation	2,146
<b>SUBTOTAL</b>	<b>\$ 37,326</b>		<b>\$ 37,326</b>
Equipment	\$ 13,109	Water	\$ 7,771
		Local Street	4,565
		General	773
<b>SUBTOTAL</b>	<b>\$ 13,109</b>	<b>SUBTOTAL</b>	<b>\$ 13,109</b>
Sanitation	\$ 163	Water	\$ 163
<b>SUBTOTAL</b>	<b>\$ 163</b>	<b>SUBTOTAL</b>	<b>\$ 163</b>
Local Steet	\$ 16,621	Major Street	\$ 16,621
<b>SUBTOTAL</b>	<b>\$ 16,621</b>	<b>SUBTOTAL</b>	<b>\$ 16,621</b>
Water	\$ 588	General	\$ 588
<b>SUBTOTAL</b>	<b>\$ 588</b>	<b>SUBTOTAL</b>	<b>\$ 588</b>
Major Street	\$ 29,213	General	\$ 29,213
<b>SUBTOTAL</b>	<b>\$ 29,213</b>	<b>SUBTOTAL</b>	<b>\$ 29,213</b>
<b>TOTALS</b>	<b>\$ 97,020</b>	<b>TOTALS</b>	<b>\$ 97,020</b>

The General Fund also owes the Downtown Development Authority \$27,770 for captured taxes.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **Interfund transfers**

The following inter-fund transfers were made:

Rehabilitation to General	\$ 2,146
Major Street to Local Street	\$ 18,753
Equipment to General	\$ 115,988
	<u>\$ 136,887</u>

### **NOTE G - PROPERTY TAX**

Property taxes include amounts levied against all real and public utility property and tangible personal property that is used in businesses located in the Village. Taxes are levied on July 1 on the taxable value listed as of the prior January 1<sup>st</sup>. The due date for taxes to be paid without penalty for the 2005 summer levy is September, 2005. All real property taxes remaining unpaid by October are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. Any taxes recorded before the date is recorded as deferred revenue. Property taxes remaining uncollected sixty days after the end of the fiscal year are required to be recorded as deferred revenue in accordance with generally accepted accounting principles.

The Village Assessor establishes taxable values at 50% of appraised market value. The Village's tax rate applicable to 2005 was \$14.4572 on each \$1,000 of tax valuation applied to property with a Taxable Value of \$9,850,865.

### **NOTE H – OTHER ASSETS – RESTRICTED CASH**

This asset consists of cash in the Water Supply System Fund that is restricted for specific purposes. The Water System Improvement account contains funds raised from the sale of water to make additional improvements or if necessary bond payments. The general obligations limited tax water bond debt retirement account is used to accumulate funds to make repayments on the bonds.

### **NOTE I – RISK MANAGEMENT**

The Village of Lake Linden is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the last five years.

**Required Supplemental Financial Information**



**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures and Fund Balance**  
**BUDGET AND ACTUAL**  
**Year Ended February 28, 2006**

	Budgeted Amounts			
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Taxes	\$ 115,500	\$ 115,500	\$ 101,221	\$ (14,279)
State grants	136,500	136,500	139,471	2,971
Charges for services	36,000	36,000	32,733	(3,267)
Other revenue	138,000	138,000	131,718	(6,282)
TOTAL REVENUES	<u>\$ 426,000</u>	<u>\$ 426,000</u>	<u>\$ 405,143</u>	<u>\$ (20,857)</u>
Expenditures:				
Legislative	\$ 8,900	\$ 8,900	\$ 8,372	\$ 528
General government	65,550	65,550	122,239	(56,689)
Public safety	89,550	89,550	89,822	(272)
Public works	31,500	31,500	27,796	3,704
Recreation and culture	45,500	45,500	90,923	(45,423)
Other expenditures	195,000	195,000	224,182	(29,182)
TOTAL EXPENDITURES	<u>\$ 436,000</u>	<u>\$ 436,000</u>	<u>\$ 563,334</u>	<u>\$ (127,334)</u>
Excess of Revenues (Expenditures)	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ (158,191)</u>	<u>\$ (148,191)</u>
Other financing sources:				
Operating transfers from other funds	\$ 10,000	\$ 10,000	\$ 118,134	\$ 108,134
Operating transfers from component unit	-	-	-	-
Operating transfers to other funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 118,134</u>	<u>\$ 108,134</u>
Excess of revenues and other sources (Expenditures and other uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,057)</u>	<u>\$ (40,057)</u>
Fund balance beginning of year			<u>38,360</u>	
FUND BALANCE END OF YEAR			<u>\$ (1,697)</u>	

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**MAJOR STREET FUND**  
**Statement of Revenues, Expenditures and Fund Balance**  
**BUDGET AND ACTUAL**  
**Year Ended February 28, 2006**

	<u>Budgeted Amounts</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
State shared revenues:				
Gas and weight tax	\$ 57,000	\$ 57,000	\$ 53,690	\$ (3,310)
Local road program	2,000	2,000	1,833	(167)
Snow removal distribution	10,000	10,000	19,487	9,487
Interest income	500	500	1,172	672
TOTAL REVENUES	<u>\$ 69,500</u>	<u>\$ 69,500</u>	<u>\$ 76,182</u>	<u>\$ 6,682</u>
Expenditures:				
Construction	\$ -	\$ -	\$ -	\$ -
Routine maintenance	21,900	21,900	27,774	5,874
Traffic service	1,900	1,900	1,015	885
Snow and ice control	37,800	37,800	42,134	4,334
Administration and engineering	1,700	1,700	3,328	(1,628)
TOTAL EXPENDITURES	<u>\$ 63,300</u>	<u>\$ 63,300</u>	<u>\$ 74,251</u>	<u>\$ (10,951)</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	\$ 6,200	\$ 6,200	\$ 1,931	\$ (4,269)
State trunkline maintenance				
Excess of Revenues (Expenditures)	<u>3,800</u>	<u>3,800</u>	<u>1,117</u>	<u>(2,683)</u>
Other Financing Uses:				
Operating transfers to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,753</u>	<u>\$ (18,753)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ (15,705)</u>	<u>\$ (25,705)</u>
Fund Balance beginning of year			<u>89,167</u>	
FUND BALANCE, END OF YEAR			<u>\$ 73,462</u>	

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**LOCAL STREET FUND**  
**Statement of Revenues, Expenditures and Fund Balance**  
**BUDGET AND ACTUAL**  
**Year Ended February 28, 2006**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Current Levy	\$ 37,000	\$ 37,000	\$ 32,997	\$ (4,003)
Delinquent taxes	4,500	4,500	3,800	(700)
County Sources	12,000	12,000	12,600	600
State shared revenue:				
Gas and weight tax	28,000	28,000	26,755	(1,245)
Local road program	1,000	1,000	913	(87)
Snow removal distribution	20,000	20,000	15,341	(4,659)
Interest income	1,200	1,200	230	(970)
<b>TOTAL REVENUES</b>	<b>\$ 103,700</b>	<b>\$ 103,700</b>	<b>\$ 92,636</b>	<b>\$ (11,064)</b>
Expenditures:				
Construction	\$ -	\$ -	\$ 19,018	\$ (19,018)
Routine maintenance	37,100	37,100	44,568	(7,468)
Traffic service	1,200	1,200	904	296
Snow and ice control	51,600	51,600	40,972	10,628
Administration and engineering	2,800	2,800	1,325	1,475
<b>TOTAL EXPENDITURES</b>	<b>\$ 92,700</b>	<b>\$ 92,700</b>	<b>\$ 106,787</b>	<b>\$ (14,087)</b>
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>\$ (14,151)</b>	<b>\$ (25,151)</b>
Other financing sources-				
Operating transfers in	\$ -	\$ -	\$ 18,753	\$ (18,753)
<b>EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)</b>	<b>\$ 11,000</b>	<b>\$ 11,000</b>	<b>\$ 4,602</b>	<b>\$ (6,398)</b>
Fund balance beginning of the year			907	
<b>FUND BALANCE END OF YEAR</b>			<b>\$ 5,509</b>	

**VILLAGE OF LAKE LINDEN, MICHIGAN  
REHABILITATION INVESTMENT FUND  
Statement of Revenues and Expenditures  
BUDGET AND ACTUAL  
Year Ended February 28, 2006**

	<u>Budgeted Amount</u> <u>Original and</u> <u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:			
Interest on investments	\$ 180	\$ 14	\$ (166)
Owners/occupants loan interest payments	20	-	(20)
<i>TOTAL REVENUES</i>	<u>\$ 200</u>	<u>\$ 14</u>	<u>\$ (186)</u>
Expenditures:			
Bad debt	\$ -	\$ 823	\$ (823)
Professional services	200	-	200
<i>TOTAL EXPENDITURES</i>	<u>\$ 200</u>	<u>\$ 823</u>	<u>\$ (623)</u>
<i>EXCESS OF REVENUES AND (EXPENDITURES)</i>	<u>\$ -</u>	<u>\$ (809)</u>	<u>\$ (809)</u>
Other Financing Sources:			
Operating transfers to other funds	<u>\$ -</u>	<u>\$ (2,146)</u>	<u>\$ (2,146)</u>
<i>EXCESS OF REVENUES AND OTHER SOURCES</i> <i>(EXPENDITURES AND OTHER USES)</i>	<u>\$ -</u>	<u>\$ (2,955)</u>	<u>\$ (2,955)</u>
Fund Balance-Beginning of the Year		\$ 2,955	
Fund Balance-End of Year		<u><u>\$ -</u></u>	

**VILLAGE OF LAKE LINDEN, MICHIGAN  
SPECIAL SEWER ASSESSMENT FUND  
Statement of Revenues, Expenditures and Fund Balance  
BUDGET AND ACTUAL  
Year Ended February 28, 2006**

	Budgeted Amounts		
	Original And Final	Actual	Favorable (Unfavorable)
Revenues:			
Interest on special assessments	\$ 3,000	\$ 880	\$ (2,120)
Expenditures:			
Transfers to other governmental units-			
Houghton county board of public works -			
For debt retirement	\$ 3,000	\$ 880	\$ 2,120
Excess of Revenues (Expenditures)	\$ -	\$ -	\$ -
○ Fund Balance beginning of year		-	
<i>FUND BALANCE END OF YEAR</i>		\$ -	

### **Other Supplemental Information**

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**General Fund**  
**Schedules of Revenues**

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2006</u>	<u>February 28,</u> <u>2005</u>
Taxes:		
General property taxes	\$ 92,090	\$ 91,212
Housing commission property payment in lieu of taxes	7,751	15,995
Collection fees	1,381	1,420
	<u>\$ 101,221</u>	<u>\$ 108,627</u>
State grants:		
Sales tax	\$ 133,612	\$ 135,158
Liquor license	1,506	1,441
Grants	250	500
Metro fees	4,103	3,716
	<u>\$ 139,471</u>	<u>\$ 140,815</u>
Charges for services:		
Fire protection	\$ 9,343	\$ 17,576
Sales and services	12,962	844
Park revenues	10,428	10,583
	<u>\$ 32,733</u>	<u>\$ 29,003</u>
Other revenue:		
Fringe reimbursements	\$ 82,795	\$ 76,580
Private foundation grant	44,000	-
State trunkline overhead	3,330	2,243
Miscellaneous	1,594	4,248
	<u>\$ 131,719</u>	<u>\$ 83,071</u>
Other financing sources:		
Operating transfers from other funds	\$ 118,134	-
Operating transfers from component unit	-	\$ -
	<u>\$ 118,134</u>	<u>\$ -</u>
Total Revenues		
And other financing sources	<u>\$ 523,278</u>	<u>\$ 361,516</u>

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
**GENERAL FUND**  
**Schedules of Expenditures**

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2006</u>	<u>February 28,</u> <u>2005</u>
Legislative -- Village Council:		
Salaries	\$ 3,150	\$ 3,600
Travel and meetings	71	164
Miscellaneous	5,151	4,618
<i>TOTAL LEGISLATIVE</i>	<u>\$ 8,372</u>	<u>\$ 8,382</u>
General government:		
Executive:		
Salaries	\$ 1,500	\$ 1,500
Travel, meetings and miscellaneous	335	427
	<u>\$ 1,835</u>	<u>\$ 1,927</u>
Elections:		
Salaries	\$ -	\$ 579
Operating supplies	-	132
Miscellaneous	-	107
	<u>\$ -</u>	<u>\$ 818</u>
Clerk:		
Salaries	\$ 33,370	\$ 31,692
Professional services	4,633	5,645
Office supplies	2,378	2,123
Telephone and internet	2,136	2,646
Capital outlay	-	2,480
Miscellaneous	826	811
	<u>\$ 43,343</u>	<u>\$ 45,397</u>
Treasurer:		
Salaries and fees	\$ 3,059	\$ 3,092
Office supplies	1,200	910
Capital outlay	-	-
Miscellaneous	3,217	224
	<u>\$ 7,476</u>	<u>\$ 4,226</u>
Village hall:		
Salaries	\$ 3,255	\$ 5,376
Repairs and maintenance	5,202	1,126
Utilities	6,905	5,952
Heating	8,892	5,672
Miscellaneous	1,331	1,080
Capital Outlay	44,000	-
	<u>\$ 69,585</u>	<u>\$ 19,206</u>
<i>TOTAL GENERAL GOVERNMENT</i>	<u>\$ 122,239</u>	<u>\$ 71,574</u>



# GENERAL FUND – SCHEDULES OF EXPENDITURES (CONTINUED)

	Year Ended	
	February 28, 2006	February 28, 2005
Public safety:		
Law enforcement:		
Salaries	\$ 68,617	\$ 63,707
Repairs and maintenance	673	-
Office supplies	20	497
Uniform allowance	-	1,433
Equipment rental	-	5,060
Capital Outlay	510	-
Miscellaneous	4,232	3,493
	<u>\$ 74,052</u>	<u>\$ 74,190</u>
Fire control:		
Salaries	\$ 5,318	\$ 7,240
Repairs and maintenance	3,031	1,004
Equipment rental	-	3,079
Miscellaneous	5,321	7,695
Capital Outlay	2,100	-
	<u>\$ 15,770</u>	<u>\$ 19,018</u>
<i>TOTAL PUBLIC SAFETY</i>	<u>\$ 89,822</u>	<u>\$ 93,208</u>
Public works:		
Sidewalks:		
Salaries	\$ 2,876	\$ 4,079
Supplies and materials	1,034	-
Equipment rental	-	3,937
Miscellaneous	130	1,999
	<u>\$ 4,040</u>	<u>\$ 10,015</u>
Street lighting:		
Utilities	<u>\$ 21,031</u>	<u>\$ 17,506</u>
Parking lot:		
Salaries	\$ 2,705	\$ 1,627
Equipment rental	-	4,338
Miscellaneous	20	-
	<u>\$ 2,725</u>	<u>\$ 5,965</u>
<i>TOTAL PUBLIC WORKS</i>	<u>\$ 27,796</u>	<u>\$ 33,486</u>
Recreation and culture:		
Salaries	\$ 17,065	\$ 14,828
Repairs and maintenance	6,992	4,929
Utilities	6,038	5,975
Equipment rentals	-	10,999
Professional services	637	20,280
Capital outlay	55,173	-
Miscellaneous	5,018	5,648
<i>TOTAL RECREATION AND CULTURE</i>	<u>\$ 90,923</u>	<u>\$ 62,659</u>

# GENERAL FUND – SCHEDULES OF EXPENDITURES (CONTINUED)

	Year Ended	
	February 28, 2006	February 28, 2005
Other expenditures:		
Sand and salt stock piles (Including shrinkage)	\$ 3,034	\$ 2,709
Employee benefits:		
Payroll taxes	\$ 17,222	\$ 23,957
Paid time off	32,399	34,900
Pension plan	34,517	26,218
Hospital insurance	64,278	60,230
Uniforms and licenses	503	971
	<u>\$ 148,919</u>	<u>\$ 146,276</u>
Insurance:		
Workers' compensation	\$ 8,266	\$ 7,073
Other	22,173	22,705
	<u>\$ 30,439</u>	<u>\$ 29,778</u>
Miscellaneous:		
Salaries	\$ 35,145	\$ 25,387
Repairs and maintenance	-	-
Equipment rental	-	1,565
Capital outlay	-	-
Other	6,645	3,727
	<u>\$ 41,790</u>	<u>\$ 30,679</u>
<i>TOTAL OTHER EXPENDITURES</i>	<u>\$ 224,182</u>	<u>\$ 209,442</u>
Other financing uses –		
Operating transfers out – Other funds	\$ -	\$ -
<i>TOTAL EXPENDITURES</i>	<u>\$ 563,334</u>	<u>\$ 478,751</u>

**VILLAGE OF LAKE LINDEN, MICHIGAN**  
***Major Street Fund***  
**Schedules of Expenditures and Reimbursements**  
**FOR STATE TRUNKLINE MAINTENANCE**

	<u>Year Ended</u>	
	<u>February 28,</u>	<u>February 28,</u>
	<u>2006</u>	<u>2005</u>
Expenditures:		
Surface maintenance	\$ 2,688	\$ 1,818
Drainage	1,124	271
Sweeping and flushing	1,734	909
Snow and ice control	10,217	10,130
Traffic signs and signals	138	1,156
Roadway inspection	1,014	239
Shoulder maintenance	-	-
M-26 overhead charges	3,032	2,243
Other winter maintenance -- Snow removal	10,758	10,080
	<u>\$ 30,705</u>	<u>\$ 26,846</u>
Reimbursements:		
State Department of Highway and Transportation	<u>\$ 31,822</u>	<u>\$ 24,392</u>
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	<u><u>\$ 1,117</u></u>	<u><u>\$ (2,454)</u></u>

**Jutila, Jorgenson and Associates, P.C.**  
P.O. Box 175  
Houghton, Michigan 49931  
July 18, 2006

Village Council  
Village of Lake Linden  
Lake Linden, Michigan 49945

**Management Letter**

In connection with our audit of the general purpose financial statements of the VILLAGE OF LAKE LINDEN, MICHIGAN for the year ended February 28, 2006, the following comments and recommendations concerning accounting procedures and controls in effect in the Village are presented for your consideration.

1. We noted that expenditures and transfers out exceeded appropriations in three funds. This is in violation of Public Act 2 of 1968 as amended. We urge the Council to take steps to avoid such excess spending by comparing expenditures and budgets throughout the year. In some instances, it may be necessary to decrease budgeted expenditures to match decreases in anticipated revenue in order to achieve a balanced budget. All budgetary type funds should have a budget enacted before expenditures are made.
2. We suggest the use of accounts receivable and accounts payable subsidiary ledgers for each fund and recommend that these ledgers be tied out to the related general ledger balance on a monthly basis.
3. Additionally, we recommend that physical inventories be taken in the Sanitation Fund on a regular basis and compared with financial records. Discrepancies should be noted and investigated.

These comments have appeared in previous years' reports.

4. As of February 28, 2006, the General Fund had an unreserved deficit fund balance of \$36,714. To be in compliance with Public Act 275 of 1980 as amended, the Village must formulate a deficit elimination plan and submit it to the state treasurer. We urge the Council to take steps to avoid excess spending in the future.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the February 28, 2006 financial statements, and this report does not affect our report on the financial statements dated July 18, 2006.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the Village in strengthening controls and procedures, and are not intended to reflect upon the honesty or integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the Village for the courtesy and cooperation shown us during our audit.

*Michael J. Jutila CPA*

Michael J. Jutila  
Certified Public Accountant  
Jutila, Jorgenson & Associates, P.C.